

Message Text

PAGE 01 NATO 03423 150026Z

15

ACTION EUR-25

INFO OCT-01 ISO-00 OIC-04 CIAE-00 PM-07 INR-10 L-03

ACDA-19 NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15

TRSE-00 SAJ-01 NSC-07 SS-20 EB-11 COME-00 OMB-01

DRC-01 /134 W

----- 033651

R 142330Z JUN 74

FM USMISSION NATO

TO SECSTATE WASHDC 6377

SECDEF WASHDC

INFO ALL NATO CAPITALS 4149

AMEMBASSY MADRID

USCINCEUR

USNMR SHAPE

USLOSACLANT

CINCLANT

C O N F I D E N T I A L USNATO 3423

E.O. 11652: GDS 80

TAGS: PFOR, NATO

SUBJ: DPC MINISTERIAL MEETING JUNE 14, 1974: AGENDA ITEM IX,
STATUS OF INFRASTRUCTURE PLANNING

OTTAWA PLS HOLD FOR SECSTATE PARTY AT NATOMIN

REF: DPC/D(74)8 (REVISED)

BEGIN SUMMARY. SYG LUNS MADE A SUMMATION OF REFERENCE REPORT TO THE MINISTERS EMPHASIZING NEED FOR EARLY AGREEMENT ON SIZE AND COST SHARING OF PROGRAM FOR 1975-1979 PERIOD. HE STRESSED IMPORTANCE FOR A PROGRAM OF SUFFICIENT SIZE TO MEET MINIMUM MILITARY REQUIREMENTS. SYG LUNS FURTHER REMINDED MINISTERS OF THE INTERNATIONAL COMPETITIVE BIDDING (ICB) MATTER OF COMPARING BIDS EXCLUSIVE OF DUTIES AND TAXES. SIGNIFICANT IN RESPONSES WERE THAT THE UK WOULD RE-EXAMINE POSSIBILITY OF A CONFIDENTIAL

PAGE 02 NATO 03423 150026Z

CEILING GREATER THAN IAU 300 MILLION; BELGIUM COULD SUPPORT IAU 450 MILLION; AND ITALY IS DISPOSED TO ACCEPT THE NEW PROCEDURES FOR COMPARING BIDS EXCLUSIVE OF DUTIES AND TAXES. END SUMMARY.

1. SYG LUNS, IN SUMMING UP THE REFERENCE REPORT TO THE MINISTERS, NOTED NO AGREEMENT HAS BEEN REACHED ON A CEILING OR A COST SHARING PERCENTAGE FOR THE NEXT GROUP OF SLICES XXVI-XXX. HE CITED THE CEILING RANGES OF IAU 300 MILLION TO IAU 600 MILLION, AT LEAST FOUR NATIONS SUPPORTING IAU 500 TO 600 MILLION, MOST OTHER IAU 450 MILLION, AND ONE NATION ONLY IAU 300 MILLION. HE NOTED ALSO THAT MOST NATIONS HAVE AGREED TO COST SHARE A PROGRAM IN WHICH THE US SHARE WOULD BE 20 PCT. LUNS EMPHASIZED IMPORTANCE OF INFRASTRUCTURE AND THE NEED TO MEET THE MINIMUM MILITARY REQUIREMENTS CITED IN THE REPORT. HE REMINDED MINISTERS THAT LAST DECEMBER THEY HAD DEFERRED TO THIS MEETING THE ICB MATTER OF COMPARING BIDS EXCLUSIVE OF DUTIES AND TAXES.

2. ITALIAN MINISTER OF DEFENSE ANDREOTTI STATED SUPPORT WITH THE MAJORITY FOR A SIZABLE PROGRAM. HE WAS PLEASED TO INFORM THE MINISTERS THAT ITALY ALSO IS DISPOSED TO ACCEPT THE NEW PROCEDURES FOR CARRYING OUT INTERNATIONAL BIDS EXEMPT FROM TAXES AND DUTIES. HE ADVISED THAT ITALIAN AUTHORITIES HAVE ALREADY MET WITH REPRESENTATIVES OF THE INTERANTIONAL STAFF IN ORDER TO DETERMINE THE MEASURES TO BE ADOPTED IN ORDER TO ASSURE A SATISFACTORY SOLUTION TO THE PROBLEM IN KEEPING WITH ITALIAN LAW. IF THE DPC CAN ACCEPT THE ITALIAN SOLUTION, ANDREOTTI STATED DETAILED AGREEMENTS CAN BE NEGOTIATED BETWEEN REPRESENTATIVES OF HIS COUNTRY AND REPRESENTATIVES OF NATO. SYG LUNS RESPONDED WITH GRATITUDE FOR ITALY'S EFFORTS ON THIS PROBLEM AND WOULD HOPE FOR EARLY AGREEMENT.

3. CANADIAN AMBASSADOR MENZIES EXPRESSED PLEASURE IN HEARING THAT ITALY ACCEPTS THE PRINCIPLE OF BID COMPARISONS WITHOUT CUSTOMS DUTIES AND TAXES. FOR CANADA, IMPLEMENTATION OF THIS PRINCIPLE HAS BEEN AND REMAINS A CONDITION OF ITS AGREEMENT TO THE NEXT SLICE GROUP. CANADA IS AWARE OF THE DIFFICULTIES ITALY HAS FACED IN FINDING A SOLUTION TO THIS PROBLEM FOR THEIR INFRASTRUCTURE PROJECTS, AND WISHES TO ADD THANKS FOR THE EFFORTS THEY HAVE MADE. AMBASSADOR MENZIES WOULD WELCOME THE OPPORTUNITY FOR HIS STAFF TO STUDY THE PROPOSAL IN DETAIL AND WOULD HOPE THAT AGREEMENT ON THE APPLICATION OF THE PRINCIPLE CAN BE REACHED IN CONFIDENTIAL

PAGE 03 NATO 03423 150026Z

TIME TO AVOID ANY DELAY TO THE NEXT FIVE-YEAR PROGRAM. HE REGARDS ITALY'S EFFORTS AS A POSITIVE STEP FORWARD, AND CANADA IS PREPARED TO ASSIST IN WHATEVER WAY IT CAN TO RESOLVE THE DETAILS OF THIS PROBLEM.

4. THE UNITED KINGDOM SECRETARY OF STATE FOR DEFENSE MASON REFERRED TO THE ECONOMIC DIFFICULTIES AND THE BUDGETARY AND FOREIGN EXCHANGE PROBLEMS CONFRONTING HIS COUNTRY. ACCORDINGLY, THE UK HAS BEEN UNABLE TO AGREE TO MORE THAN IAU 300 MILLION OR ITS PRESENT 12 PCT CONTRIBUTION. HE NOTED SYG LUNS' REMARKS THAT THE MAJORITY OF COUNTRIES ALSO HAVE FINANCIAL PROBLEMS. IN LIGHT

OF SIGNS THAT THE MAJORITY TENDS TOWARDS A PROGRAM OF IAU

450 MILLION, HE WOULD RE-EXAMINE THIS MATTER WITHIN HIS GOVERNMENT. HE RECOGNIZES THE UK POSITION HAS BEEN A BLOCK TO AGREEING UPON A PROGRAM. HE HOPES THAT THE UK WILL BE ABLE TO SUPPORT FOR 1975-1979 A PROGRAM LARGER THAN HIS COUNTRY HERETOFORE COULD AGREE UPON.

5. SECDEF REP ELLSWORTH EXPRESSED APPRECIATION FOR MASON'S FLEXIBILITY AND RESPONSE. HE ALLUDED TO INFRASTRUCTURE BEING A VISIBLE AND CONCRETE EFFORT OF THE NATO ALLIES. HE BELIEVED A FIVE-YEAR INFRASTRUCTURE PROGRAM IN THE AMOUNT OF ABOUT 600 MILLION IAU IS NEEDED IN ORDER TO MAINTAIN THE PRESENT LEVEL OF EFFORT AND ACCOMPLISHMENT ACHIEVED THROUGH COMBINATION OF INFRASTRUCTURE AND THE EUROPEAN DEFENSE IMPROVEMENT PROGRAM. THE NATIONS SHOULD SUPPORT A PROGRAM OF THIS SIZE. THE US SEEKS TO MAINTAIN AN EFFECTIVE 20 PCT SHARE OF THE TOTAL PROGRAM. ELLSWORTH FURTHER EXPRESSED APPRECIATION FOR THE ITALIAN EFFORTS ON THE ICB PRINCIPLE FOR THE COMPARISON OF BIDS EXCLUSIVE OF DUTIES AND TAXES AND SUPPORTED THE STATEMENTS OF SYG LUNS AND AMBASSADOR MENZIES ON THIS IMPORTANT ISSUE.

6. AMB DE STAERCKE (BELGIUM) ADVISED THAT HIS COUNTRY COULD SUPPORT A 1975-1979 INFRASTRUCTURE PROGRAM OF IAU 450 MILLION.

7. PORTUGAL'S MEMBER OF THE NATIONAL SALVATION JUNTA IN CHARGE OF DEFENSE AFFAIRS GOMES STATED THAT PORTUGAL IS PREPARED TO SUPPORT A PROGRAM OF IAU 450 MILLION AND TO SHARE TOGETHER WITH OTHER COUNTRIES, THE ADDITIONAL COSTS THAT WOULD RESULT FROM A REDUCTION IN THE US SHARE FROM 29.67 PCT TO 26.67 PCT.
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PAGE 04 NATO 03423 150026Z

8. NORWAY'S MINISTER OF DEFENSE FOSTERVOLL STATED SUPPORT OF A PROGRAM OF IAU 450 MILLION WITHIN WHICH THERE COULD BE A SPECIAL PROGRAM FOR PROJECTS OF US INTEREST.

9. SYG LUNS THANKED MINISTERS FOR THEIR REMARKS AND OBSERVED THAT SHORTLY THERE MAY BE AGREEMENT ON AN INFRASTRUCTURE PROGRAM OF SUITABLE SIZE TO MEET THE MINIMUM MILITARY REQUIREMENTS; AND THAT ITALY COULD WITH OTHER NATIONS, SOON AGREE UPON IAU PROCEDURES WHEREBY BIDS WOULD BE COMPARED EXCLUSIVE OF DUTIES AND TAXES. MCAULIFFE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO03423
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS 80
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740687/abbryvm.tel
Line Count: 152
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: DPC/D(74)8 (REVISED)
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by kellew0>; APPROVED <31 JUL 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DPC MINISTERIAL MEETING JUNE 14, 1974: AGENDA ITEM IX, STATUS OF INFRASTRUCTURE PLANNING
TAGS: PFOR, NATO
To: STATE
SECDEF INFO ALL NATO CAPITALS
MADRID
USCINCEUR
USNMR SHAPE
USLOSACLANT
CINCLANT

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005